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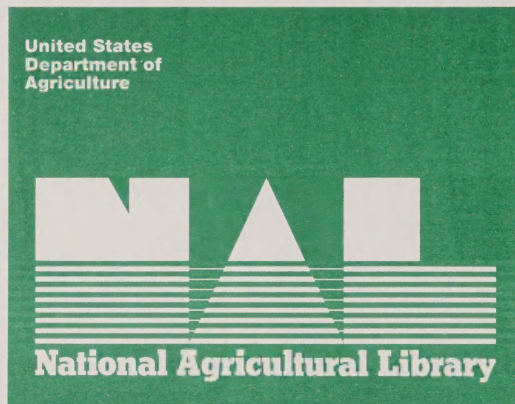
United States
Department of
Agriculture

Secretary's Forum on Farm Income and Agricultural Policy

Washington, D.C.

August 2, 1993

Summary Report

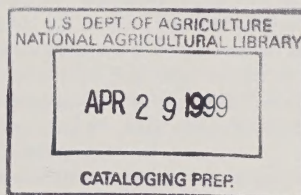


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Note: Major themes, recommendations, and summaries were presented without editorial comment or attempts to include opposing viewpoints. Inclusion of any statement does not imply USDA's agreement to the validity of accuracy of the information.

Executive Summary

Secretary of Agriculture Mike Espy held the first of four forums on August 2, 1993, to solicit suggestions on ways to improve farm income and increase agricultural exports for U.S. farmers and agribusiness. The purpose of the forum was to gather input about the direction of agricultural policy over the next several years. Each participant was asked to address the following key issues: What is changing in U.S. agriculture; what are the issues that must be dealt with in the next few years; and what adjustments or reforms are needed in domestic farm programs and international agricultural programs now and over the longer term.

The forum was divided into two sessions: The morning session was devoted to issues addressing farm income and farm policy; the afternoon session addressed agricultural trade and development policy and export programs. Farmers, farm organizations, food industry executives, consumer and environmental groups, academics and government leaders from around the country were invited to participate. Since only a limited number of panelists could be accommodated, interested parties were encouraged to submit papers with their views.

Participants addressing **farm income and farm policy issues** identified the diversity of conditions on America's farms. While financial conditions have improved since the mid-1980's, rates of return on farm assets are low. The value of farm assets, adjusted for inflation, is declining. Investment is low and the number of farmers continues to decline. At the same time, some farms have incomes at or above the average for U.S. households, particularly the larger farms.

Many participants felt that farmers need and deserve a higher level of income. However, opinions differed, sometimes sharply, about how to accomplish such an increase. Some favored higher loan rates and price supports, while others warned of the problems of interfering with market signals and of the repercussions to agriculture-related industries, to trade competitiveness, and to the consumers' cost of food. Still others wanted to shift some of the basis for support more towards environmental goals. Some favored diversification of rural economies to improve off-farm income opportunities, while others recommended means testing to target benefits to full-time family farmers.

The growing diversity of the farm sector—different crops, sizes of farms, distribution of resources, sources of income, and constituency groups—means that enhancements in traditional policy mechanisms may not be successful in increasing farm income. Many suggestions were made which will require additional analysis to determine the total ramifications.

Still others emphasized the need to expand markets through new uses and market development and to improve production inputs. Improved access to credit, more focused research and education were also mentioned. Education would help new farmers cope and all farmers produce and sell more efficiently.

Concerns for integrating environmental goals with farm income and rural development goals were expressed. Federal policies and regulations on the use of agricultural chemicals, sustainable agriculture, and food safety must be crafted to balance the needs of consumers, farmers, and the environment.

Suggestions were received about reorganizing the U.S. Department of Agriculture. In addition, areas that needed reform included the Federal food safety system, rural development policy, and farm credit and crop insurance programs.

Farmworkers were also heard from. U.S. farm operators spend over \$12 billion annually on wages and benefits for hired workers, representing 10 percent of all production costs. These workers are indispensable for production and income for many farm operators, but the effects of farm policy changes on farm workers are seldom considered.

Participants concerned about **agricultural trade and development policy and export programs** discussed the importance of exports to farm income and to U.S. agriculture and the domestic economy. There is basic agreement that the United States must be more competitive in international markets and we must expand exports if U.S. agriculture is to fully utilize its productive capacity.

The forum identified five key concepts that will shape policies to expand exports:

- (1) Increasing global economic interdependence and increased dependence on changing global markets will challenge government and U.S. agriculture.
- (2) Demand for food and fiber products in world markets will increasingly shift to high-value products as incomes grow.
- (3) Trade policy and domestic commodity policy must be consistent; commodity policy has to advance competitiveness, not constrain it.
- (4) Economic and social change occurring in the former Soviet Union and elsewhere hold the promise for a significant expansion in world trade as economies grow.
- (5) Government can increase trade opportunities through trade negotiations, export assistance, market development and promotion, food aid and economic development, and research. However, there are limitations to what the government can do, and U.S. agriculture must seek out trade opportunities in the global marketplace.

Participants provided recommendations on the following main topics: Passage of the North American Free Trade Agreement (NAFTA) and the Uruguay Round; restructuring USDA export programs; phytosanitary and food safety issues; international food aid programs; and diversity in the agriculture sector.

There was general agreement by the speakers on the importance of the Uruguay Round and NAFTA. All but one of the forum's speakers highlighted the issue of the Uruguay Round and the NAFTA, and 13 of the 15 speakers supported passage of these market-opening agreements. One speaker doubted that NAFTA would help U.S. farmers.

Restructuring of USDA's export programs was another topic frequently discussed. There was consensus that the programs need to be revised to meet changing needs of the world marketplace. Discussed were GSM credit guarantees, the Market Promotion Program, the Export Enhancement Program, and P.L. 480. Some speakers argued that phytosanitary issues will be the trade barriers of the future.

Secretary Espy stated three questions he would like answered positively during this administration: How many farmers have we kept on the land? How well have we kept our traditional markets and expanded into new markets? What does it mean for the average consumer? The Department has taken several discretionary steps to improve farm income, and has actively worked with Congress to obtain assistance for the Midwest flood disaster and the Southeast drought.

In keeping with this Administration's commitment to making a positive difference in agriculture, Secretary Mike Espy and Under Secretary Eugene Moos brought together a very diverse group for the purpose of finding ways to improve farm income and increase agricultural exports. Opinions differed and there may have been some opinions not represented. If this is the case, perhaps they will be presented at the regional forums.

List of Participants

Morning Session

Domestic Perspective

The Honorable Mike Espy, U.S. Secretary of Agriculture

The Honorable Gene Moos—Under Secretary of Agriculture for International Affairs and Commodity Programs

The Honorable Patrick Leahy, U.S. Senate and Chairman—U.S. Senate Committee on Agriculture, Nutrition and Forestry

The Honorable E “Kika” de la Garza, U.S. House of Representatives and Chairman—U.S. House Committee on Agriculture

Dr. David Freshwater, Associate Professor—University of Kentucky

Dr. Lynn Daft, Vice-President—Able, Daft and Early

Mr. Leland Swenson, President—National Farmers Union

Dr. Donald McDowell, Assistant Professor—North Carolina A & T State University

Mr. John White, Sr., President of Illinois Farm Bureau—National Farm Bureau

Mr. Allen Rosenfeld, Acting Codirector—Public Voice for Food and Health Policy

Mrs. Elaine Stuhr—Agricultural Women’s Leadership Network

Mr. Ken Cook, President—Environmental Working Group

Mr. Leroy Watson, Assistant Legislative Director—The National Grange

Mr. Robert Miller, President—Intertribal Agricultural Council

Mr. Murray Lull—American Bankers Association

Ms. Dolores Huerta, Vice President and Cofounder—United Farm Workers of America

Mr. Willie Nelson, President—Farm Aid

Mr. Corky Jones—Farmer, Brownville, Nebraska

Ms. Denise O’Brien—Dairy Farmer, Iowa

Mr. Leroy Stohr—Farmer, Clear Lakes, South Dakota

Afternoon Session

International Perspective

The Honorable Mike Espy, U.S. Secretary of Agriculture

The Honorable Michael Kantor—U.S. Trade Representative

The Honorable Timothy Penny, U.S. House of Representatives and Chairman—U.S. House Agriculture Subcommittee on Foreign Agriculture and Hunger

The Honorable Cynthia McKinney—U.S. House of Representatives, Committee on Agriculture

Mr. Dwayne Andreas, Chairman—Archer Daniels Midland Co.

Ms. Ann Veneman, Counsel—Patton, Boggs, & Blow, Former Deputy Secretary of Agriculture

Mr. Steve McCoy, President—North American Export Grain Association

Mr. Ken Hobbie, President—U.S. Feed Grains Council

Mr. Richard Douglas, Senior Vice President—Sun Diamond Growers of California

Ms. Carol Brookins, President—World Perspectives

Mr. Charles Sykes, Vice President—CARE

Mr. Joel Villalon—South Texas Grain

Mr. David Garst—Double G Ranch, Iowa

Mr. Henry Voss, Director—California Department of Food and Agriculture

Gene Moos—Under Secretary of Agriculture for International Affairs and Commodity Programs

Submitted Papers

Agri-International, Inc.—Mr. Walter Stern and Mr. Jeff Peterson

American Beekeeping Federation, Inc.—Mr. Troy H. Fore, Jr., Executive Secretary

American National CattleWomen, Inc.—Ms. Karrie K. Patterson, Executive Vice President

American Sheep Industry Women—Ms. Aggie Helle, Past President

California Walnut Commission—Mr. Turner L. Oyloe, Chief Executive Officer

CoBank—Mr. Robert O. Triplett, Executive Vice President

Consultant—Mr. Robert H. Rumler (Chairman Emeritus of Holstein-Friesian Association of America)

Louisiana Rice Growers Association—Mr. Lenny Hensgens, President

National Agricultural Costs of Production Standards Review Board—Mr. Carl E. Weiler

National Association of Conservation Districts—Mrs. Mary L. Gab, Auxiliary President

National Cotton Council—Mr. W. Neely Mallory, President

National Farmers Organization—Mr. Steve Halloran, President

National Grain and Feed Dealers Association—Mr. Todd E. Kemp, Director of Legislative Affairs

National Grain Trade Council—Mr. Robert R. Petersen, President

Northwest Horticultural Council—Mr. Christian Schlect, President

Rice Millers Association—Mr. David Graves, President and Mr. Carl Brothers, Board Member

U.S. Agricultural Export Development Council—Ms. Helen Miller, Executive Coordinator

U.S. General Accounting Office—Mr. John W. Harman, Director, Food and Agriculture Issues

Women Involved in Farm Economics (WIFE)—Ms. Joyce Spicher, National President

Introductory Remarks by Secretary Mike Espy

Welcome to USDA's Forum on Farm Income and Agricultural Policy. This is the third in a series of forums we are holding on issues that are critical to the future of our Nation and of the agriculture sector. As you know, we've already held one on hunger, one on crop insurance reform, and we'll have others to follow very soon.

Speaking as the Secretary of Agriculture, I can tell you that the Clinton Administration is committed to making a positive difference in the future of agriculture. That is why we have come together here today to find ways to improve the income of American farmers—and especially family farmers. This is income that will in turn benefit all of rural America.

As many of you also know, we've already used discretionary authority to take several steps for the purpose of benefiting producers and for the end goal of increasing farm income. For example:

- During the first month we were in office, we opened up the Farmer-Owned Reserve to the greatest allowable maximum within the Farm Bill.
- We used our discretionary authority to drop one of the double discounts on corn.
- And we suspended farm foreclosures pending administrative review.
- On the trade front, we've done a lot. Under the Export Enhancement Program, we announced an opportunity for sales of 32 million metric tons of wheat to 30 countries and regions around the world for the 1993-94 international marketing year. This is a very aggressive, credible, and fair step to protect the American farmer from unfair competition. It will also boost sales of U.S. wheat, and further our attempts to move the world toward a fair and open global market.
- And in the April Summit in Vancouver, President Clinton announced an important Food for Progress agreement with Russia. Russia has traditionally been one of our largest export customers for U.S. grain, and this agreement will help maintain the U.S. presence in that very important market.
- We've also taken steps to help those producers who are unfortunately feeling the impact of flooding and excessive rain—and now drought. We are assisting them in coping with the disaster and in trying to stabilize any major instability in their farming operations.

But even with these steps we have a long way to go. It takes asking tough and thoughtful questions about where we want to go with farm policy:

- How can we make our agricultural programs more flexible and adaptable, more responsive to economic and social change?
- How can we keep U.S. agriculture efficient and competitive in a changing global marketplace?
- How can we make our agricultural programs work better to achieve their goals?

It is my firm belief that modern agriculture must stand on two strong legs—a solid domestic farm policy and a solid international trade policy. Neither leg can go very far, or very fast, without the other. Neither one is a substitute for the other.

That is why our forum today is divided into two parts. The morning session will be devoted to addressing issues concerning farm income and farm policy. The afternoon session will address agricultural trade and development policy and export programs.

On the domestic side, the major price and income support programs of the Commodity Credit Corporation represent the heart of U.S. farm policy—both by virtue of their longevity and their cost. They provide a measure of stability to the agricultural sector, and thus ensure society an abundant supply of food and fiber at reasonable cost. Yet, a growing number of economists and policy analysts believe that the current commodity policy is outdated, and may even now be detrimental to the needs of modern agriculture.

On the international side, there is hardly a farmer in this country today who doesn't understand how vital exports are to American agriculture. In recent years, sales to foreign markets have amounted to roughly a quarter of the value of U.S. farm output. Consumers overseas will buy more than half of this year's wheat crop, 40 percent of the rice crop, and more than a third of the soybean and cotton harvests.

At the same time, consumer-oriented and other high-value food products such as meats, fruits and vegetables and processed food products now account for more than half the value of all U.S. agricultural exports. Sales figures like these are essential to maintaining current levels of farm income and the economic vitality of rural communities.

There is nothing theoretical about the dependence of this nation's farm income on exports. As exports slipped in the first half of the 1980's, we saw depressed farm incomes, falling land values, and economic pain in many of our rural communities. In fact, USDA's largest export promotion program—Targeted Export Assistance/Market Promotion Program—was a direct response to that crisis.

Generally speaking, nations tend to treat their agriculture as a special case with special domestic policies. But the trend today is toward more market orientation and less government interference and protectionism. It is happening in many countries around the world, and it is indeed happening right here in the United States.

For example, two of the most recent comprehensive farm bills—the 1985 and 1990 Acts—incorporated market-oriented reforms (and greater environmental awareness) into many longstanding farm support programs. Another major factor driving policy change is the urgent need—and this Administration's firm commitment—to address the Federal budget deficit.

In conclusion, I want to thank you for coming and state again that it is imperative that U.S. agricultural policy consist of a domestic farm policy and an international trade policy that best focus our resources to increase farm income and benefit agriculture as a whole—and by extension, rural communities as well.

Major Themes and Recommendations of Participants

The Secretary's Forum on Farm Income and Agricultural Policy brought together a very diverse group of presenters who shared their equally diverse viewpoints regarding ways to improve domestic farm income. Major themes and recommendations are listed below.

Domestic Perspective

Diversification

- Diversification is the key to revitalizing rural America and increasing farm income. We have to bring industry into rural America because income is not going to be solely from agriculture. (*Senator Leahy and Representative de la Garza*)
- We also need to encourage farmers to diversify their farms. More research on microbehavior of farming and better access to credit would assist limited-resource farmers in developing alternative enterprises. (*Dr. McDowell*)

The Role of Government in Increasing Farm Income

- The vast majority of farm families depend primarily on off-farm income. Enhancing the current set of commodity programs is not the answer. A broader rural development initiative may be more effective in increasing the incomes of farm families. (*Dr. Freshwater*)
- It is virtually impossible to provide a domestic support program for agriculture that attempts to ignore or negate market conditions. Reliance on market orientation is the most effective and sustainable method of achieving proper economically and politically justifiable farm policy. (*American Farm Bureau Federation*)
- We need to address the credit crunch in agriculture first of all. There needs to be some very innovative and dramatic changes in credit markets. We need more assistance programs for beginning farmers so that young people can remain in production agriculture. (*Intertribal Agricultural Council and Agricultural Women's Leadership Network*)
- The USDA must take the lead role in supporting American food producers. Export programs, foreign marketing, ag research, and alternative use products must be directed to assist the producer, not only multi-national

agribusiness. The entire food chain depends on production which can continue only if the producer is allowed to make a profit. Although only 18.5 percent of the USDA budget is spent on commodity programs or assistance to production agriculture, USDA figures often reflect a different story to the general public. (*Women Involved in Farm Economics (WIFE)*)

Targeting of Benefits

- In the face of our budget deficit, it's unrealistic to think that we're going to increase Government payments to increase farm income. However, we can do a much better job of making sure the money we do spend is better targeted at helping average farm families. Strict means testing may assure that the benefits of Federal farm programs accrue to the broadest possible number of family-sized farms. (*Senator Leahy and the National Grange*)
- We should shift a portion of benefits from Federal farm programs away from production towards environmental considerations. (*Environmental Working Group*)

Environmental Sustainability

- We should protect private property rights of land owners through offering voluntary incentive-based environmental and conservation programs. (*American Farm Bureau Federation*)
- Voluntary programs are not entirely favorable, but they are a start. At some point, we're going to need additional requirements for that small fraction of farmers who won't go along with a voluntary approach. We need to shift assistance more towards compensating producers for their environmental and conservation investments. (*Environmental Working Group*)
- Farm programs currently do nothing to encourage a reduction in chemical use or the adoption of resource-conserving crop rotations. There would be broad-based support for reforms which make commodity programs more responsive to food safety and environmental safety. (*Public Voice for Food and Health Safety*)
- Science-based approach to policy, rules, and regulation is needed. (*Representative de la Garza, Rice Millers Association, Consultant-Rumler and the National Cotton Council*)

- USDA is encouraged to take the lead role for regulations affecting agriculture. (*Consultant-Rumler*)
- Protection of private property rights is of highest priority. When property rights are taken due to regulation, the federal government should be required to pay just compensation to the landowner. (*American National CattleWomen, Inc.*)
- As the Conservation Reserve Program is being phased out and CRP lands return to production, there must be a strong Stewardship Incentive Program in place. Reconsider extending the CRP Program.
- Reauthorization of the Federal Clean Water Act is among the top issues on the Conservation District agenda. (Senate Bill, S 1114, Water Pollution Prevention and Control Act of 1993). Conservation Districts are recommending provisions to provide new authority for voluntary watershed planning and management to ensure consistency with other federal conservation programs. (*National Association of Conservation Districts*)
- America's conservation districts consider the new Wetland's Policy a major step towards consensus, coordination and cooperation in protection and regulation of the nation's wetland resources. It should end agency conflict while offering a fair, flexible approach and a means of simplifying the process of wetland determination. Conservation districts welcome the emphasis on the voluntary approach that provides information and technical assistance to land managers. (*National Association of Conservation Districts*)
- Production adjustment and loan programs should be consistent with natural resource management programs. (*National Association of Conservation Districts*)

Heterogeneity of the Farm Sector

- As agriculture becomes more diverse, and farm families develop multiple sources of income, it becomes harder to assess conditions and to develop useful policies. A one-size-fits-all farm policy may not be effective in addressing the divergent needs of both smaller and larger farms. (*Dr. Freshwater and American Bankers' Association*)
- Agricultural policy has had a sector orientation. It has dealt with a farm economy in its totality, not in its parts. Commodity programs implicitly assume a homogeneity of interests among the producers of a commodity. If one focuses attention on only a portion of the agricultural sector, one could threaten the future integrity of the programs. (*Dr. Daft and the National Grange*)

- Policies that have been directed to increasing farm income would be ineffective if we do not first have a clear idea how that income is distributed in the farm sector. (*The National Grange*)

Maintain Competitive Domestic Agricultural Markets

- Reduce or phase out acreage reduction programs. (*National Grain and Feed Dealers Association, National Cotton Council and the National Grain Trade Council*)
- Improve conservation reserve program. (*National Grain and Feed Dealers Association*)
- Maintain safety-net income support programs and disaster assistance. (*National Cotton Council*)
- Maintain the Agricultural Cooperative Service at a sufficient level to provide service to the Coop Community. (*CoBank Denver, Colorado*)

Price Support Levels

- Agricultural policy cannot successfully defy gravity in an economic sense. We've had a lot of experience in trying to do this, ranging from price controls, price supports at excessive levels that were unsustainable, supply controls in a variety of forms, and parity measures. All of these eventually have proven to be costly and ineffective. The lesson is that markets usually do a better job of allocating resources than do governments. (*Dr. Daft*)
- We should provide a safety net for producers that affords a measure of support for stability without either inhibiting flexibility or distorting market price signals. (*American Farm Bureau Federation*)
- Maintain loan rates below market-clearing levels. (*National Grain and Feed Dealers Association and the National Grain Trade Council*)
- We have to look at higher price supports which are targeted to units of production, and cap the Government exposure on the amount of units that are supported. This will increase farm income and not increase Government costs or deficiency payments. (*National Farmers Union*)
- The main problem we've had for years is that Farm Bills have ignored the fact that we have to have a price for our production that covers the cost of production plus a profit.

To turn the situation around, we have got to begin with raising loan rates. (*Farm Aid*)

- Increase loan rates. (*National Farmers Organization*)
- Establish a minimum price that covers cost of production. (*National Farmers Organization*)
- U.S. loan rates set the world prices on grains. Why our policy dictates the producer will sell his grain for less than its costs to produce is a mystery. Allowing the farmer a profit from vital natural resource production would lower taxpayer costs for farm programs, stimulate the economy and reduce the deficit. These loan rates can be raised by the Secretary of Agriculture. (*Women Involved in Farm Economics (WIFE)*)

Additional Measures To Support Agriculture

- Permit immediate entry into the Farmer-Owned Reserve, and, if necessary, permit CCC purchases. (*National Farmers Organization*)
- Remove the 50.04 percent cap on disaster program payments. (*National Farmers Organization*)
- Defer Farmers Home Administration interest and principal payments on existing loans. (*National Farmers Organization*)
- Maintain a strategic world food reserve where costs are shared by competitors and importing countries. (*National Farmers Organization*)
- Continue the National Wool Act. (*American Sheep Industry Women*)
- Maintain the current honey loan program and protect against market-damaging imported honey. (*American Beekeeping Federation, Inc.*)

Type and Integrity of Information from USDA

- Agriculture and the food system have changed dramatically since agricultural policies were established in the 1920's and 1930's. If the Department is to remain at the center of that change and policy development, it is going to have to do a better job of reflecting what is happening in the outside world, the way the food system is being redefined, the entry of new players, and new national objectives. (*Dr. Daft*)
- Statistics sometimes indicate that farm income has been steadily rising, but we know differently if we are

involved. We encourage the Department to use fair, and not misleading facts, when dealing with the general public and policymakers in regard to production agriculture. In the past years, we have had many within USDA giving false facts about what was going on at the farm gate and about the things that would happen if we raised farm prices. (*Agricultural Women's Leadership Network and Farm Aid*)

- An increasing percentage of U.S. agricultural production is now under bilateral contracts which bypass traditional markets and bypass price discovery mechanisms. USDA should begin to immediately study the agriculture production contracting practices, with the goal of strengthening protection for individual farmers and protecting the valuable price discovery mechanisms that an open and competitive market provide. (*The National Grange*)
- USDA should continue to provide information that reflects current farm financial conditions in order to address issues of farm income and appropriate agricultural policy. (*National Agricultural Cost of Production Standards Review Board*)
- American farm policy is based on figures from several agencies. USDA has a responsibility to use data that is fair and not misleading to the general public and policy makers. The data must also reflect the true picture of production agriculture. A recent GAO study on this subject clearly reflects differences that have led our country to poor farm policy. (*Women Involved in Farm Economics (WIFE)*)

Regulatory Burdens and Simplification of Procedures

- Agriculture and its related industries should not be subject to unduly burdensome regulations. (*National Cotton Council*)
- Federal regulatory atmosphere needs to be "user friendly." (*National Grain and Feed Dealers Association*)
- We are now faced with a situation characterized by diminishing program benefits and increasing program compliance costs. We should reduce the complexity, time, effort and paperwork associated with program compliance. (*American Farm Bureau Federation*)
- Legislation designed to streamline programs is too often complicated by excessive regulations. The Certified Lender Program contained in the 1992 Agricultural Credit Improvement Act is a prime example where efforts to simplify the processing of credit applications was compli-

cated by the Department's regulations to the point that they are burdensome and almost defeat the purpose of the lender program. (*American Bankers' Association*)

- ANCW is concerned with government involving itself in all aspects of the ranching industry, especially conservation and environmental matters. Over regulation of agriculture makes it more difficult to produce the food and fiber our nation is dependent upon and has taken for granted. As more time and resources are spent handling government regulations and interference, the farmer and rancher has less resources to devote to a cost-effective, safe and wholesome product. (*American National CattleWomen, Inc.*)

Impact of Farm Programs on Consumers and Farm Workers

- Agricultural programs have had very broad support because the consumer sector has benefited enormously from our past policies. However, a departure from past policies which does not maintain the overall supply and quality of food could threaten the future integrity of the programs. (*Dr. Daft*)
- Consumers have strong concerns about food safety and the environment, and about the program's impact on agricultural chemical use. (*Public Voice for Food and Health Safety*)
- We give very large subsidies to agribusiness employers, but they refuse to give their workers a decent wage. (*United Farm Workers Union*)
- We recommend that the Departments of Agriculture and Labor set up some kind of local job referral service for farm workers. Educational programs need to be established to help reduce farm worker deaths and injuries, and to eliminate the racist and feudalistic attitudes against farm workers. (*United Farm Workers Union*)

Maintenance of a Safe Food Supply

- Emotional policies, such as the Delaney Clause, should be rejected. (*Northwest Horticultural Council*)
- Pursue a policy of safe but necessary chemicals. Acceptable international data need to be shared among all interested countries, thereby avoiding duplicative testing. (*Northwest Horticultural Council*)
- We need an effective way for Animal and Plant Health Inspection Service and Foreign Agricultural Service to work together. We need to restructure USDA so it can

remove technical barriers of international trade. (*Northwest Horticultural Council*)

- USDA should take a lead role in the food safety debate. (*Northwest Horticultural Council*)
- Science needs to be advanced thus increasing support for the Agricultural Research Service. (*Northwest Horticultural Council*)
- Harmonize the international chemical area. (*Northwest Horticultural Council*)
- Find an acceptable alternative to methyl bromide. (*California Walnut Commission*)
- Use science as the basis for decisions on food safety and nutrition. (*Rice Millers Association*)
- Congress should hold oversight hearings to evaluate options for revamping the Federal food safety and quality system, including:
 - (1) creating a single food safety agency responsible for administering a uniform set of food safety laws,
 - (2) creating a uniform set of food safety laws that are administered by the current Federal food safety agencies, or
 - (3) establishing a blue ribbon panel to develop a model for inspection and food safety enforcement based on the public health risks posed by the products and processes.

(*U.S. General Accounting Office*)

- ANCW supports the concept of instructional labels on food products that will remind consumers and food service operators of proper cooking and handling procedures. Nutrition labeling outlining care and handling instructions to develop educational materials on food safety position beef in a well balanced diet. Everyone, from producers to retailers and consumers has a responsibility for food safety. The educational label will serve to remind everyone of the importance of proper handling and cooking of all foods. (*American National CattleWomen, Inc.*)

Health Insurance

- Affordable health insurance is a concern of ANCW and the nation. It is a national problem that must be resolved. (*American National CattleWomen, Inc.*)

Reorganization of the U.S. Department of Agriculture

- USDA should streamline the multiple farm service agency offices. (*U.S. General Accounting Office*)
- USDA should coordinate water quality programs existing in separate agencies. (*U.S. General Accounting Office*)
- USDA should develop new approaches that combine education, research, technical assistance, technological innovation, and regulation to sustain agricultural and environmental goals simultaneously. (*U.S. General Accounting Office*)
- USDA should elevate the priority of conservation and natural resource management programs within the Department. (*National Association of Conservation Districts*)
- USDA should realize cost-efficiencies that could be obtained through co-location, shared data systems, shared vehicles and shared support staff, where feasible. (*National Association of Conservation Districts*)
- All USDA natural resource management programs would be overseen by a single Under Secretary. (*National Association of Conservation Districts*)
- A single natural resource agency should encompass all USDA natural resource management functions, except those of the Forest Service. (*National Association of Conservation Districts*)
- USDA must recognize and utilize the resources and authorities of other federal, state and local conservation agencies. (*National Association of Conservation Districts*)
- USDA should expand the use of incentive-based approaches to natural resource management. (*National Association of Conservation Districts*)

Farm Credit and Crop Insurance Programs

- Congress should establish FmHA guidance on the following:
 - (1) The level of loan losses that Congress is willing to accept,
 - (2) The length of time over which borrowers should be allowed to receive FmHA assistance, and

(3) the kind of assistance that may be made available to unsuccessful borrowers leaving farming.
(*U.S. General Accounting Office*)

- Congress should make policy decisions involving trade-offs among crop insurance participation, actuarial soundness, and the continuing provision of ad hoc disaster payments. (*U.S. General Accounting Office*)

Rural Development Policy

- Congress and USDA plus other Federal and State partners must revise policies for rural America to better reflect changes that have taken place over the past 50 years. (*U.S. General Accounting Office*)

Adjustment Period for Negative Impact from Program Changes

- Farm program adjustments must be tempered to prevent sudden dislocation to producers, agribusiness and lenders. (*CoBank, Denver, Colorado*)

International Perspective

Expansion of Competitive and Open World Markets

- Emphasize expanding markets, especially priority markets where income growth and population result in more opportunities for sales, such as in Mexico and Asia. (*Senator Leahy*)
- U.S. farmers should not have to compete against foreign treasuries. (*National Cotton Council and the Rice Millers Association*)
- Eliminate trade distorting policies. (*Louisiana Rice Growers Association and the Rice Millers Association*)
- Trade policies should be market-oriented—an international trade agreement is needed (passage of GATT and NAFTA). (*National Grain and Feed Dealers Association, Rice Millers Association, California Walnut Commission and the National Cotton Council*)
- Increasing markets without producers receiving a fair price is an exercise in futility, because it will only continue to erode producer assets along with our precious natural resources. We cannot go back to the mentality that

lower loan rates will increase exports and, hence, solve all our problems. (*National Farmers Union and the Agricultural Women's Leadership Network*)

Improvement and Expansion of USDA Export Programs

- Maintain world representation for market intelligence, trade promotion, and trade policy purposes. Information and education about U.S. agriculture and exports are needed. (*U.S. Agricultural Export Development Council*)
- Balance GSM program issues, such as market development, trade enhancement, and foreign policy on one hand and creditworthiness and credit requirements on the other hand. (*CoBank, Denver, Colorado*)
- Place additional marketing emphasis on value-added trade. (*National Grain and Feed Dealers Association*)
- USDA should seek expanded funding for both the Cooperator Foreign Market Development Program and the Market Promotion Program. (*U.S. Agricultural Export Development Council, Northwest Horticultural Council, California Walnut Commission and the National Cotton Council*)
- USDA should use GSM-103 credit to the fullest extent possible and grant it to newly emerging democracies, such as Romania. (*Double G Ranch*)
- USDA should provide for a dairy cattle EEP program. (*Agri-International, Inc.*)
- USDA should support and make more efficient commercial export programs such as GSM, Eximbank, and P.L. 480. Continue to use EEP but its focus should be short-run not as a means to ensure long-term growth for agriculture. (*CoBank, Denver, Colorado*)
- USDA should seek expanded funding for the Foreign Agricultural Service. (*Northwest Horticultural Council*)
- USDA should set a goal of \$60 billion for international sales of U.S. agricultural products by the end of the century. (*Northwest Horticultural Council*)
- USDA should develop a trade opportunity program modeled after an earlier program from the Department of Commerce. (*CoBank, Denver, Colorado*)
- Fundamental changes are necessary in USDA's domestic and international programs—some are vestiges of the 30's, 40's, and 50's and must be dismantled. The Food for Progress (FFP) program should be used to monetize commodities in countries such as Russia. The GSM credit guarantee program should be restructured to include processing equipment and other farm-related items. The FFP program should work directly with private groups, such as Volunteers in Overseas Cooperative Assistance (VOCA), to better target the aid. High-value products must be promoted by credit programs. Branded items should be phased out under the Market Promotion Program (MPP), and matching funds paid by the exporter should be increased. (*Representative Penny*)
- Broaden the U.S. Government involvement in export programs—particularly food aid to developing countries. Funds for the Public Law 480 program should be increased to \$3 billion per year. (*Archer Daniels Midland Company*)
- USDA should continue market promotion and programs to the former Soviet Union. (*North American Export Grain Association*)
- USDA should continue current funding levels for MPP and GSM programs, but rethink creditworthiness requirements for GSM credit guarantees. These requirements undermine the effectiveness of the program. (*U.S. Feed Grains Council*)
- The GSM program is more cost-effective than the P.L. 480 program in meeting U.S. export needs; however, GSM creditworthiness requirements are limiting the program's use. (*World Perspectives*)
- USDA should relax country risk criteria under the GSM-103 program to fully utilize the program. The GSM-103 program should be granted to any emerging democracy. (*Double G Ranch*)
- We must reduce the protectionism of government programs—dwindling funds will lead to a reduced government role around the world. (*California Department of Food and Agriculture*)
- We must improve the participation of minorities in the export enhancement program (EEP), market promotion program (MPP), and the earned income tax credit program. (*Representative McKinney*)

Passage of the NAFTA and the Uruguay Round and Their Implications for U.S. Agricultural Products

- Passage of these market-opening agreements will make sure U.S. farmers get fair play in foreign markets. (*Secretary Mike Espy*)
- We need a major market access opening agreement on agriculture in the Uruguay Round. In terms of the NAFTA, agriculture is a very big winner. (*Ambassador Kantor*)
- It is imperative to open markets in our hemisphere, and passage of the NAFTA begins that process. (*Representative Penny*)
- Passage of the NAFTA will lead the way for massive grain import needs by Mexico. (*Representative Penny*)
- The Uruguay Round, based on the Dunkel Text, will add about \$4 billion to annual U.S. exports and raise farm income by about \$1 billion. Passage of the NAFTA will result in an additional \$2 billion in agricultural exports to Mexico. The "great big sucking sound" will be U.S. foods going south to Mexico, not U.S. jobs. (*Ms. Ann Veneman*)
- Completion of GATT and the NAFTA process will result in lower trade barriers; the United States will gain new export markets. (*North American Export Grain Association*)
- We must open markets through a Uruguay Round and the NAFTA agreement. (*World Perspectives*)
- Through the Uruguay Round and the NAFTA, we'll get the best open trading system we can. (*Under Secretary Gene Moos*)

- Passage of the NAFTA and the Uruguay Round will be detrimental to U.S. farmers. I am amazed how Ambassador Kantor (USTR) and many farmers can start out at the same place and end up with completely opposite conclusions. (*Representative McKinney*)

Phytosanitary and Food Safety Issues

- The following Federal actions are necessary: Amendment of food safety laws, passage of national uniformity pesticide laws, passage of an amendment to the Delaney Clause that moves to a negligible risk standard "rather than zero risk", and completion of the registration process. (*Sun Diamond Growers of California*)
- Phytosanitary issues are the trade barriers of the future for the U.S. export market. (*World Perspectives*)

Importance of Food Aid Programs to the Growth of Developing Nations and U.S. Agricultural Export Markets

- The European Community and the United States should establish a permanent international agency which administers concessional sales to developing countries. The program could be called PL480000. (*Archer Daniels Midland Company*)
- The USDA must factor global food aid needs into the supply-side and demand-side policies of the Department. The U.S. should lead the way in creating an international reserve with participation of the international community. (*CARE*)

Summary of Presentations and Submitted Papers¹

Morning Session Presentations

Domestic Perspective

Patrick Leahy, U.S. Senate and Chairman—U.S. Senate Committee on Agriculture, Nutrition and Forestry

Rural America is much more than farms, but farming is at its heart. The key to increasing farm income is through diversification to spread risks and to break into new domestic and international markets. We must face reality: we can't rely on government payments to increase farm income. However, we can do a better job to make sure the money we do spend is better targeted to average farm families. We must have policy changes with more emphasis on getting more income out of the marketplace through expanding markets for our agricultural commodities.

"Kika" de la Garza, U.S. House of Representatives and Chairman—U.S. House Committee on Agriculture

When we talk about farm income, all we're talking about is that farmers have got to sell their commodities for a price that's viable and compensatory to the effort that they put into producing them. The bottom line is that to improve farm income, we must have diversification in rural areas. A viable income is not going to be solely from agriculture. We have to bring industry into rural America. We must also encourage the adoption of agricultural practices and technologies that are environmentally sustainable. We should not arbitrarily limit the adoption of technology that has proven to be safe and effective.

Dr. David Freshwater, Associate Professor—University of Kentucky

Farm income has the virtue of being a relatively simple concept to understand and calculate, but it also has some major shortcomings in describing the performance and well-being of the farm sector. All indicators suggest that the farm sector is relatively healthy, yet there are concerns with financial conditions in U.S. agriculture. The consistently low return on assets in agriculture suggests that there is something fundamentally wrong with the financial condition in agriculture. Part of the

problem is that wealth of farmers is eroding in terms of real purchasing power. To understand what is going on in agriculture we need to look deeper into the diversity of U.S. agriculture. The key policy issues are how efficiently are farms operating and whether farm families are living relatively well. It is not easy to increase the off-farm income of poor farms, but it is much easier than increasing their on-farm income.

Dr. Lynn Daft, Vice-President—Able, Daft, and Early

My review of the past comes up with seven lessons of farm policy. Agricultural policy does change in response to what we learn from the past. Farm policy is strongly influenced by instability, technology and its impact on productivity, demand, and macroeconomic influences. But these forces are not strongly influenced by agricultural policy. Farm policy cannot successfully defy gravity in an economic sense, i.e., markets do a much better job of allocating resources than do policies such as price controls, supply controls, and parity measures. Agricultural policy change has been continually progressive. The President and Congress have relied heavily on USDA, but USDA must do a better job of reflecting changes in the cast of policy players. We have had problems facing up to distributional differences among regions, commodities, and producers. We have had economic policies grounded in the overall farm economy. If one attempts to focus attention on only a portion of the farm sector, one could threaten the integrity of agricultural programs. The common theme is change and reaction to change. Agriculture has been most effective when it has been supportive of change.

Mr. Leland Swenson, President—National Farmers Union

Farm policies of the past 12 years have not been farmer friendly. The changes that have resulted in agriculture have been the inability of producers to invest in their farming operations and greater concentration in production, marketing, processing and retailing. We have to look at a domestic policy that enhances price supports and targets those supports to a limited number of units of production to cap government exposure. Increased farm income from higher market prices will allow an economic incentive for producers to implement environmentally sound practices that are needed. We cannot go back to the mentality that increased trade will solve our problems. The success of this administration will be how many family farmers it can keep on the land in the next 3 years and make them economically viable.

Dr. Donald McDowell, Assistant Professor—North Carolina A & T State University

Changes most often mentioned by limited-resource farmers deal with choices between conventional and alternative approaches to agriculture. A major concern is the availability

¹ Summaries may have been quoted or paraphrased.

of credit and education to assist in new ventures. The relationship between research and expansion of limited-resource farms must be enhanced. In the future, more agricultural research should be on the microbehavior of farming, and not at the macrobehavior level. No longer can we develop programs that give farmers money without providing them assistance in proper management. We need to encourage farmers to diversify. Education must play a more important role in sustaining our agricultural economy and its resources.

Mr. John White, Sr., President, Illinois Farm Bureau—American Farm Bureau Federation

Our policy on national farm programs cites improving net farm income and enhancing economic opportunities for farmers and ranchers as our most important goal. Farm Bureau has generally been supportive of the market orientation course adopted in the 1985 and 1990 farm bills. Farm Bureau members would generally support the following objectives for farm policy:

- (1) Expand competitiveness for U.S. producers through programs that promote efficiency of production and marketing, as well as eliminating barriers to trade.
- (2) Provide greater flexibility for a producer to use acreage, equipment, and other productive resources in response to market opportunities.
- (3) Ensure that commodity programs do not detrimentally influence the markets for unsupported commodities.
- (4) Reduce the complexity, time, effort and paperwork associated with program compliance.
- (5) Provide a safety net for producers that affords a measure of support for stability without either inhibiting flexibility or distorting market price signals.
- (6) Protect private property rights of land owners by offering voluntary incentive-based environmental and conservation programs.

Mr. Allen Rosenfeld, Acting Codirector—Public Voice for Food and Health Policy

American consumers have an enormous stake in Federal commodity programs. They fund the programs with their taxes and with the higher prices they pay at the supermarket for commodities with price supports. In a recent National Opinion Survey, 70 percent stated they were very concerned about the effects of agricultural chemicals in our water supply, pesticides on the environment, and pesticide residues in kids' food. There are serious questions about how well dairy and sugar programs serve USDA's broader constituencies.

Mrs. Elaine Stuhr—Agricultural Women's Leadership Network

I represent producers who derive the bulk of their income from their farms and ranches. The continued decline of this income and profitability is our biggest challenge today. Year after year, producers see the purchasing power of what they produce decrease. Our agricultural system is the envy of the world, and farmers and ranchers do not deserve to be numbered among the rural poor. Today people know less about agriculture than at any time before. The American public and policy makers must be made aware of the importance of agriculture to their standard of living.

Mr. Ken Cook, President—Environmental Working Group

We have to look very carefully at the fundamental purposes of income transfers for agriculture and rural America now. The fact that rural America has changed so much should have implications for how we go about spending Federal resources, especially as those resources become scarce. The environmental community is very willing and eager to work with others in agriculture to find ways to balance sustainable agriculture with farm income and rural development goals. In the longer term, assistance for economic and price support purposes will be looked upon less favorably, with more emphasis on compensation for producers for environmental and natural resource investments that they've been making for years. In the shorter term, the flooding in the Midwest is Mother Nature's way of lobbying very hard for the wetland reserve program.

Mr. Leroy Watson, Assistant Legislative Director—The National Grange

Over the past two decades, a broad understanding has developed that societal forces outside the traditional realms of farm policy—such as environmental and conservation standards, land use planning, food safety and public health initiatives, international trade agreements, tax policy, fiscal and monetary policy, and others—are having profound impacts on our Nation's farms. To date, we have not found an adequate farm policy response to these outside forces. In the future, relevant and successful farm policy will have to move beyond the constraints of traditional commodity differentiation to include size and structural components as well. Smaller, partially commercial and sub-commercial farm operations are an important part of American agriculture and deserve to have a Federal farm policy that takes their requirements into account. We would like to see farm policies that move away from farm commodities as a rationale for programs to support farm income and, instead, move towards farm programs that identify the maintenance of a broad array of human resources in agriculture. The

Federal Government is no longer the sole arbiter of national agricultural policy. State governments are responding aggressively to numerous agricultural policy demands.

Mr. Robert Miller, President—Intertribal Agricultural Council

An Administrative directive in the mid-1980's that there would be no more collateral lending to farmers and ranchers, followed by changes in the tax law, totally devastated agriculture. The result was a loss of more than 700,000 farms and ranches and many small local banks. Farming and ranching is the only business that buys retail and sells wholesale. We need to get our prices up; but, first of all, we need to address the credit crunch in agriculture.

Mr. Murray Lull—American Bankers' Association

Farm customers know and accept their responsibilities in deficit reduction, but all they ask is that they be treated fairly, and that other areas of the budget be subject to similar spending reductions. Farm customers also understand and accept their responsibilities towards the environment. Over the longer term, a one-size-fits-all farm policy may not be effective in addressing the divergent needs of smaller and larger farms. On a global sense, free trade is important to all of us. Legislative improvements to streamline lending have been almost negated by regulatory burdens designed to make lenders the policemen for the environment.

Ms. Dolores Huerta, Vice-President and Cofounder—United Farm Workers of America

The conditions of farm workers are pretty deplorable. With few exceptions, farm workers are not covered by any type of workers' compensation. They don't have unemployment insurance, and are not covered by the Fair Labor Standards Act. Farm workers are living in extreme poverty and are often cheated by employers and labor contractors. Unemployment is very high among farm workers, yet we still allow foreign workers to come in each year for temporary employment. We recommend that the Departments of Agriculture and Labor try to set up some kind of local job referral service. Educational programs need to be established to help reduce farm worker deaths and injuries, and to eliminate the racist and feudalistic attitudes against farm workers. We have to depend on the American public to try to get any kind of relief for farm workers.

Mr. Willie Nelson, President—Farm Aid

For the past few years, USDA has been reporting that farm income is at record high levels, but I have a hard time understanding how so many farmers could be losing money if farm

income was rising. USDA has since changed the way it reports farm income. The time has come to figure out how we can make household farm income rise so that family farmers can stay on the land. If farmers were getting a fair price for their labor, they would be able to ride out one bad year (such as this year with floods and droughts) and keep their farms. We need a commitment to raise loan rates and to do everything possible to change Government policies so that family farmers can once again make a decent living on the land. Until a young couple can make a living farming the land, our economy will continue to go down.

Mr. Corky Jones—Farmer, Brownville, Nebraska

The main problem we've had for years, one failing farm bill after another, is that the bills have ignored the fact that we have to have a price for our production that covers the cost of production, plus the capability of having a profit. To turn the situation around we have got to begin with raising loan rates. In past years, we have had many within USDA giving false facts about what was going on at the farm gate, about the things that would happen if we raised farm prices. The people who have benefited from past farm bills have been the food processors, the exporters, the paper shufflers, and the Chicago Board of Trade. Meanwhile, the rural economy has suffered drastically. There's been no opportunity for financial buildup so that farmers can stand shocks. We need help.

Ms. Denise O'Brien—Dairy Farmer, Iowa

My children have acquired a valuable work ethic by being a part of the working unit on the farm. I'm not sure that I could encourage them to go into farming unless things improve with our income. Part of the problem is that we confuse two distinct words—agriculture and agribusiness. In my 18 years on the farm, agribusiness has not been interested in my ability to maintain a profit to support by family and my rural community. The farm policies of the past have been a disaster.

Mr. Leroy Stohr—Farmer, Clear Lakes, South Dakota

If we were receiving a fair price for our commodities all along we wouldn't be relying so heavily on the disaster program to try and keep us farming. We don't have the income to survive. We desperately need help from the government to keep the farmers on the farm.

Afternoon Session Presentations

International Perspective

Mike Espy—U.S. Secretary of Agriculture

Role of exports—Agricultural exports, which are forecast at \$42.5 billion in fiscal 1993, generate more than 1,000,000 jobs in production, processing, transportation, and export-related services.

GATT/NAFTA—Passage of these market-opening agreements will ensure that U.S. farmers get fair play in foreign markets and a fair deal in the world marketplace.

New markets—USDA should support development programs to increase sales opportunities in the developing world.

Michael Kantor—U.S. Trade Representative

Update on GATT—Progress on the Uruguay Round of GATT and implementation of NAFTA are ways to open agricultural markets. Agriculture negotiations are being saved for Geneva with the objective of getting an agreement on major market access. We have made some progress—for one, the European GATT negotiators are going to work during August.

Update on NAFTA—We are in middle of negotiations involving environmental and labor standards. With NAFTA the market will be 370 million people with about \$6.7 trillion in gross product. The NAFTA would generate about 200,000 more U.S. jobs in the next 2 years.

Mexico and NAFTA—Since 1965, the Mexicans maintained high tariff and non-tariff barriers that forced U.S. companies to move there. The Mexicans had another program, the Maquilladora program, which encouraged U.S. companies to locate there and ship products back into the United States. The NAFTA will change all that by giving U.S. companies reasons for staying here and exporting to Mexico.

Timothy Penny, U.S. House of Representatives and Chairman—U.S. House Subcommittee on Foreign Agriculture and Hunger

Export markets—USDA needs to restructure agricultural initiatives towards the world market for export. Asia is the fastest growing economy and export market. Africa's growing food needs require global food inputs as well.

NAFTA—It is imperative to open markets in our hemisphere, and NAFTA begins that process.

Restructuring USDA commodity programs—Fundamental changes are necessary in our domestic and international programs to meet the needs of future. Cooperation between Congress and USDA is vital. Vestiges of the 30's, 40's, and 50's must be dismantled. Industrial uses, new food uses, and environmentally safe uses hold great potential for U.S. commodities. Farm payments will be pinched, requiring farmers to diversify their crops—flex acres may be the answer.

Russia food aid programs—Russian aid is the focus of my subcommittee this year. We wish to use the Food for Progress Program to monetize commodities within the Russian society, and to use the proceeds for development projects in Russia. The successful initiatives in Poland can be replicated in the former Soviet Union. The GSM program should be restructured beyond commodity sales to processing equipment and other farm-related items. We want to work more closely with private groups in Russia, such as Volunteers in Overseas Cooperative Assistance (VOCA), to better target aid through FFP. We are concerned that the Ministry of Agriculture does not ensure a fair distribution of aid.

High-Value products—These products must be promoted by our credit programs overseas because bulk commodity exports do not promise high growth over the next decade. Our producers and those throughout rural America benefit from money earned in this market.

Restructuring FAS—Congressional hearings are being held to restructure this agency to strengthen its role in promoting exports in growth markets for farm goods. The Reconciliation Bill under consideration includes revising the Market Promotion Program. Because of reductions in funding levels, available money is likely to be better used. For example, funds will target markets where trade is currently closed. Second, the branded items would be phased out over the course of 5 years, and we would phase up the match by a firm.

Cynthia McKinney—U.S. House of Representatives, Committee on Agriculture

NAFTA and the Uruguay Round—I am amazed how Ambassador Kantor and my farmers can start out at the same place and end up with completely opposite conclusions.

Preservation of agriculture sector diversity—Land loss is an acute problem, particularly for African-American farmers. New leadership on Agriculture Committee enables strategic action for programs such as the minority farm, outreach, and education program.

Minority outreach—We must improve participation of blacks in the EEP, MPP, and Earned Income Tax Credit program. A minority farm outreach program should be established.

Mr. Dwayne Andreas, Chairman—Archer Daniels Midland Co.

Broaden government export programs—We must keep the farmers on the farm. We need to copy the European models of government participation in the farming sector. The lessons of the past (i.e. U.S./EC soybean trade) have shown this to be true. A government role is a crucial part of our obligation to poor countries to help develop their own agriculture. Public Law 480 is the key U.S. government program to feed countries and eventually develop new markets. This program should be increased to \$3 billion a year. Second, the U.S. and the EC should establish a permanent international agency that administers concessional sales such as P.L. 480000.

NAFTA—With NAFTA the standard of living in Mexico can double for the poor. Higher grain import needs would result which could surpass the import needs of Russia.

Ms. Ann Veneman, Counsel—Patton, Boggs and Blow; Former Deputy Secretary of Agriculture

U.S. agriculture linked to international trade—U.S. agriculture cannot prosper in the 21st century unless we become more competitive in the global marketplace. Domestic and trade policies must not interfere with gains from technological improvement. Unfair trade practices are threats to U.S. competitiveness. Growth of developing countries leads to growth in demand for U.S. food and agricultural products through exports.

Exports of high-valued products—The demand for high-value products abroad will grow with incomes. The potential for U.S. agriculture is striking. Last year U.S. exports of higher-valued products exceeded exports of bulk commodities for the first time since WWII. For example, U.S. agricultural exports to Mexico doubled during the last 10 years—high-value products can lead the way for export growth during the next 10 years. The “great big sucking sound” will be U.S. foods going south to Mexico, not U.S. jobs.

Liberalized trade equals economic growth—The Uruguay Round, based on the Dunkel text, is estimated to add \$4 billion to annual U.S. exports and raise farm income by about \$1 billion. Globally, an agreement would add more than \$100 billion annually to the economy. In terms of NAFTA, agricultural exports to Mexico will be about \$2 billion higher than without NAFTA. The threat of food safety standards being lowered is not true—they will remain unchanged. Environmentally, NAFTA will result in a Comprehensive plan negotiated between both countries.

Mr. Steve McCoy, President—North American Export Grain Association

Opening new markets abroad—We need to maintain farm programs, market promotion tools, programs to the former Soviet Union, and foreign market privatization. Reducing trade barriers and gaining new export markets require completion of the GATT, NAFTA process, and efforts to design U.S. domestic trade policy.

Mr. Ken Hobbie, President—U.S. Feed Grains Council

Foreign market development program—Funding should continue for programs including MPP and GSM, which illustrate the success of partnership between the federal government and private sector. The MPP allows producers to counter unfair trade practices; however, Congress is considering massive cuts or elimination of the program. About 10 percent of all U.S. agricultural exports is financed using GSM credit guarantees. Creditworthiness issues undermine the effectiveness of the program.

Mr. Richard Douglas, Senior Vice-President—Sun Diamond Growers of California

Food safety and pesticides issues—In the future phytosanitary issues will be the trade barriers confronting the United States. Federal actions necessary are: amendment of food safety laws, passage of national uniformity pesticide laws, passage of an amendment to the Delaney Clause that moves to a negligible risk standard “rather than zero risk”, and completion of registration process.

Ms. Carol Brookins, President—World Perspectives

USDA reorganization—Recommend a requirement for a competitiveness impact statement tied to any future agricultural policies or programs.

Developing new export markets—The four factors related to export growth are: people, purchasing power, price, and policy. The developing world will provide 80 percent of the growth in the export sector. Growth in the U.S. export market will depend on price competitiveness and open markets.

Liberalizing trade—The key question for U.S. exports is what policies are needed to increase demand? The two critical policies are trade policy and export financing. We must open markets through a Uruguay Round and a NAFTA agreement.

Phytosanitary issues—These are barriers of the future for the U.S. agricultural export markets.

GSM—Export financing meets the U.S. export needs better than P.L. 480 because of cost effectiveness. However, GSM requirements are limiting its use.

Mr. Charles Sykes, Vice-President—CARE

International food aid—The USDA must factor global food aid needs into the supply and demand side policies of the Department. The cereals food aid was 11 million metric tons, or 1.2 percent of total global production. The USDA should promote programs that stimulate agricultural production of local crops.

Food security reserve—The U.S. should lead the way in creating an international reserve with participation of the international community.

Mr. Joel Villalon—South Texas Grain

GSM credit guarantees—More GSM-102 credits are needed for U.S. exports to Mexico, thereby supporting the economy. The farmers, exporters, and people who work in the gins are disappearing.

Mr. David Garst—Double G Ranch, Iowa

GSM credit guarantees—The \$500 million GSM-103 credit program is never fully utilized because USDA cannot relax its country risk criteria. The benefits of the sale under GSM-103 are not considered during the risk assessment. The GSM-103 program should be used over the GSM-102 program because it is easier for nations to pay GSM-103 10-year credit than it is to repay GSM-102 3-year credit. Agricultural exports under credit guarantees bring a higher return to the U.S. tax dollar than traditional price supports. A \$6-billion GSM-103 program would raise commodity prices to target price levels and save \$12 billion in deficiency payments. Why is Russia's GSM dollar per capita ratio far above that of Romania? Romania has a far lower level of national debt. The GSM-103 program should be granted to any emerging democracy.

Mr. Henry Voss, Director—California Department of Food and Agriculture

NAFTA—Foreign investment is blurring the lines of international trade. California growers and processors have facilities in Mexico and the United States.

Phytosanitary issues—Trade and environmental policies are converging—exporters can expect more barriers and restrictions in the place of tariff and quantitative restrictions.

Government role—We must reduce the protectionism of government programs—dwindling funds will enable a reduced government role around the world.

Gene Moos—Under Secretary of Agriculture for International Affairs and Commodity Programs

This is the first of four forums on farm income; the next will be in Arizona, Iowa, and North Carolina. We need a farm policy that meets farmers' needs as well as the environmental concerns here in the United States. We have to increase exports—we have the comparative advantage. Through the Uruguay Round and NAFTA, we'll get the best open trading system we can.

Submitted Papers

Agri-International, Inc.—Mr. Walter Stern and Mr. Jeff Peterson

The EC has taken many U.S. dairy cattle markets through unfair subsidies. A dairy cattle EEP program would help domestic dairy farmers and the U.S. programs that support them. More cattle could be exported, helping the trade balance and curtailing the amount of dairy products the USDA purchases.

Recommendation: Provide a dairy cattle EEP program.

American Beekeeping Federation, Inc.—Troy H. Fore, Jr., Executive Secretary

The American Beekeeping Federation is deeply concerned about the income of its beekeeper/farmer members. Their expenses are rising and revenues are diminishing. Unless the current trends change, U.S. farm policies and U.S. trade policies may force many American beekeepers out of business. The survival of the industry depends, in large part, on U.S. government action.

Recommendations:

- (1) Maintaining the current loan program will have a stabilizing effect on our markets and keep many beekeepers in business who would otherwise founder.
- (2) Protection is needed from the flood of market-damaging imported honey and this protection will allow the American beekeeper to become less dependent on the loan program.

American Sheep Industry Women—Aggie Helle, Past President

Many opportunities are on the horizon for the sheep industry. New technology is being backed by the American Sheep Industry that measures the lean composition of a carcass by computerized scanning. There is potential for placing lamb in food service establishments ranging from pizza places to hotel

chains. Product development items include oil spill materials that would utilize middle wools. Quality concerns focus on eliminating the polypropylene problem. Quality improvement has led to the identification of quality issues from carcass to wool. Issues of concern to the sheep industry include: cutting of the Wool Act, animal welfare, endangered species, grazing fees, animal damage control, lamb and wool prices.

Recommendation: Maintain the National Wool Act.

California Walnut Commission—Mr. Turner L. Oylae, Chief Executive Officer

Presently 80 percent of all in-shell walnuts produced in California is exported. Exports of shelled walnuts have increased from 10 million pounds at the start of the program to over 30 million pounds last year. The export market accounts for about one-third of the total California walnut crop.

The Market Promotion Program has helped our industry expand export markets. However, the disputes on citrus, beef hormones, and soybeans threaten to have an impact on our exports, while continued use of methyl bromide is of major concern.

Recommendations:

- (1) Settle U.S.-E.C. agricultural trade problems.
- (2) Find an acceptable alternative to methyl bromide.
- (3) Continue the Marketing Promotion Program (MPP).

CoBank—Mr. Robert O. Triplett, Executive Vice President

The trend is likely to continue where most farmers fall into one of two extremely different categories. Small part-time farmers with significant off-farm income will make up a large part of the farming population. Large and integrated farming operations will produce the vast majority of output, but become fewer and fewer in number.

The structure of the food and fiber system is becoming more concentrated and linkages between farm and retail are becoming tighter. Within this oligopolistic structure, farmer cooperatives can facilitate the efficiencies developing in the market place.

International trade is an important component to the strength of our cooperatives, the farming community, and our general economy. Information and education about U.S. agriculture and exports are needed. GSM programs can be improved by balancing market development, trade enhancement, and foreign policy issues on one hand and creditworthiness issues and requirements on the other hand.

Farm policy agenda is being shaped by nontraditional considerations:

- (1) The budget deficit,
- (2) Labor and health,
- (3) Food safety regulations and legislation,
- (4) Industry structure, and
- (5) international trade.

Recommendations:

- (1) Farm program adjustments must be tempered to prevent sudden dislocation to producers, agribusiness and lenders.
- (2) Maintain the Agricultural Cooperative Service at a sufficient level to provide service to the coop community.
- (3) Support and make more efficient commercial export programs such as GSM, Eximbank, and P.L. 480.
- (4) Develop service along the lines of the earlier trade opportunity program of the Department of Commerce.
- (5) Continue to use the Export Enhancement Program.

Consultant—Robert H. Rumler (Chairman Emeritus of Holstein-Friesian Association of America)

Agriculture is being impacted significantly by forces that are not a direct responsibility of USDA, but in which there is a role for USDA. Ill-conceived regulations, fallacious reasoning, over-regulation and enforcement details are known to have happened when applied to agriculture. Some legislation has been misdirected and politically oriented with an effort to micromanage programs legislatively.

Recommendation: Science-based approach is needed for policy, rules and regulation.

Louisiana Rice Growers Association—Mr. Lenny Hensgens, President

The ability of U.S. agricultural products to compete in the world markets has been largely due to our farmers' efficiencies and also due to government support such as the marketing loan program. The marketing loan program was developed on the premise that the U.S. producer would accept less government support and the government would reduce the trade-distorting policies. The EC imposes levies on rice that are 2 to 3 times the value of the product. Revenue from these levies help support subsidized export sales of European Community rice that restrict sale of U.S. rice in other markets. U.S. rice is still

banned in Japan, South Korea, Taiwan, Thailand and elsewhere, while our own market is open to their products. Recently, duties were imposed on U.S. rice imports by the CARICOM, a trade bloc in the Caribbean. Jamaica, also a CARICOM member, even imposed a duty on U.S. P.L. 480 rice.

Recommendation: Eliminate trade-distorting policies.

National Agricultural Costs of Production Standards Review Board—Mr. Carl E. Weiler

The Economic Research Service of USDA provides reasonable financial statistics that reflect agricultural economic output. Net farm income is a tool to measure agriculture's contribution to the national economy over time, and does not reflect the economic well-being of individual farm operators or individual commodities. The aggregate estimates mask the diversity of financial situations of many individual farm households.

Recommendation: USDA should continue to provide information that reflects current farm financial conditions.

National Cotton Council—Mr. W. Neely Mallory, President

Cotton generates \$50 billion in revenue annually for the U.S. economy and stands above all crops in creation of jobs and contribution to the U.S. economy. Cotton exports average over \$2 billion annually. Cotton's major competitors on the world market have been non-market or centrally controlled economies that are uninterested in market-based concepts of costs and production for profit. Pakistan subsidizes the cost of fertilizers used by its farmers; the former soviet republics are so desperate for hard currency, they have been selling cotton at bargain prices for 2 years. These disparities cannot be ignored.

The situation for cotton has been much improved since passage of the 1985 and 1990 farm bills, both of which included a marketing loan for cotton. Since the middle 1980's, for example, U.S. cotton production has risen 80 percent and off-take has nearly doubled. Through integrated pest management programs, breakthroughs in biotechnology, and the maintenance of strong research programs, U.S. agriculture will have the capability to adapt to the new world unless excessive regulation unreasonably restricts the efficient transfer of technology to commercial reality.

Recommendations:

- (1) Maintain income support programs and disaster assistance, but avoid high acreage reduction programs.

- (2) Both U.S. agriculture and government must work together to defend U.S. market share against unfair trade practices and increase U.S. exports.
- (3) Market promotion programs need to be maintained and strengthened.
- (4) The cotton industry supports environmental policies based on sound science and reasonable cost/benefit ratios.

National Farmers Organization—Mr. Steve Halloran, President

During the past 10 years, the infrastructure of U.S. production agriculture has been devalued. As a percentage of equity, farm income declined from 29.8 percent in 1985 to 19.7 percent in 1991. Returns on farm equity were a negative 0.6 percent in 1991, according to a recent USDA/ERS report. That contrasts with a 24.3 percent positive return in 1973. The producer's share of the food dollar fell from 31.1 percent in 1980 to 18.9 percent in 1990. Despite a record corn crop in 1992, producers are not in financial condition to endure a crop failure 1 year later without government assistance.

The most serious problem facing farmers today is chronically low commodity prices. In real dollars, we have had the lowest average commodity prices over the past 10 years than we have had since the 1930's depression.

Recommendations:

- (1) Increase commodity market prices: increase loan rates, permit immediate entry into the farmer-owned reserve, and permit CCC purchases,
- (2) Remove the 50.04-percent cap on disaster program payments,
- (3) Defer FMHA interest and principal payments on existing loans,
- (4) Maintain a strategic world food reserve where costs are shared by competitors and importing countries, and
- (5) Establish a minimum price that covers the cost of production.

National Grain and Feed Dealers Association—Todd E. Kemp, Director of Legislative Affairs

Despite attempts in the 1985 and 1990 farm legislation to reform growth-impeding policies, U.S. agriculture has been stagnant for more than a decade. Despite some fluctuations, world grain markets have continued to expand, while the United States has experienced virtually zero growth. A review of the same data on soybeans is also troubling: world trade is increasing, but the United States clearly is in decline.

These trends provide evidence of an expanding world market in which the United States is not participating. The lack of U.S. expansion is creating serious economic problems for U.S. agribusiness; railroads, barge lines, elevators, fertilizer dealers, and farm equipment and supply dealers.

The economic pressures on agribusiness have not fully spread to the farm sector, because government payments have cushioned farm income. But unless current trends reverse, farmers soon will feel the effects of lost world market opportunities.

Recommendations:

- (1) The U.S. needs "growth-friendly" domestic policies; phase out acreage reduction program, review conservation reserve program, retain market clearing loan rates.
- (2) Trade policies should be market-oriented: international trade agreement is needed.
- (3) Place additional marketing emphasis on value-added; stay competitive in whole grains.
- (4) Regulatory atmosphere needs to be "user-friendly."

National Grain Trade Council—Mr. Robert R. Petersen, President

High loan rates create a price umbrella for competitor nations. High loan rates in the past created such an umbrella, under which competitor nations could freely market their grain while the U.S. held its production off the market. Under the traditional 9-month loan, if loan rates were higher than market prices, farmers forfeited their stocks to the government. This stopped the flow of grain to the market.

Marketing loans, however, could change the impact of higher loan rates. Marketing loans allow a farmer to sell his grain into the market when loan rates are above world prices and receive a loan deficiency payment, which is the difference between the world price and the loan rate. The marketing loan could allow more stocks to move to the market than was the case with the 9-month loan and should largely avoid forfeitures, but the marketing loan also heightens the government's budget exposure and will alter grain marketing patterns.

A greater budget exposure will likely cause the government to move toward higher acreage reduction program (ARP) requirements to limit supply. By controlling the supply, the government hopes to lower the production on which it will make loan deficiency payments (LDP) and to boost domestic prices, which in turn lessen the LDP. If the loan rate is greater than the market price, the marketing loan provision allows grain to move into the marketplace at competitive prices, but government will seek to minimize its budget exposure by limiting the amount of grain produced. Thus, the old cycle of

price interference, lost markets, and reduced income is relived in the form of marketing loans and supply controls.

Recommendations:

- (1) Loan rates must remain below market clearing levels.
- (2) Maintain low or zero ARPs.

Northwest Horticultural Council—Christian Schlect, President

A major change in U.S. agriculture is the reduced connection between farmer and urban consumer. With ever fewer farmers and ever more urban people we are losing a national understanding of what is required to produce the food and fiber needed by our country. The diminishing political support in Congress is the most evident manifestation of this problem.

Issues to consider:

- (1) Some agricultural chemicals must be used, but they must still be safe for consumers.
- (2) Consumers must be confident that our food supply is safe.
- (3) Emotional policies, such as the Delaney Clause, should be rejected.
- (4) Internationally acceptable data need to be shared among all interested countries.
- (5) Market Promotion Program needs improvement.
- (6) Animal and Plant Health Inspection Service and FAS need an effective way to work together.

Recommendations:

- (1) USDA should take a lead role in food safety debate.
- (2) Pursue a policy of safe but necessary chemicals.
- (3) Science needs to be advanced, thus increasing support for the Agricultural Research Service.
- (4) Harmonize international chemical area.
- (5) Strengthen FAS with increased budget and appoint a strong leader as administrator.
- (6) Maintain Market Promotion Program and fund appropriately.
- (7) Restructure USDA to remove technical barriers of international trade.
- (8) Set goal of \$60 billion for international sales of U.S. agricultural products by the end of century.

***Rice Millers Association—David Graves, President,
and Carl Brothers, Board Member***

As long as U.S. agriculture remains export dependent, aside from domestic monetary and fiscal policy, no factor has greater influence over the economic success of the industry than competitive and open access to foreign markets. The number and quality of markets to which U.S. agriculture enjoys competitive and open access will do more to explain the existence or absence of farm or agricultural problems. Good markets solve economic problems.

Developing and maintaining customers requires the ability to offer competitively priced goods and services that are in demand, either needed or wanted, at the appropriate time and place. To satisfy this requirement, goods and services must be supported by an efficient and competitive production and marketing system. Today's world is generating a more competitive business environment as well as significant changes in consumer preferences.

Recommendations:

- (1) Establish competitive and open access to foreign markets,
- (2) Develop technology,
- (3) Assure adequate product supplies,
- (4) Use science as the basis for decisions on food safety and nutrition and effective regulatory administration.

***U.S. Agricultural Export Development Council—
Helen Miller, Executive Coordinator***

Members of the U.S. Agricultural Export Development Council (USAEDC) work with the Foreign Agricultural Service to develop, expand and maintain foreign markets for U.S. agricultural products. Subsidies, unfair trade practices and trade barriers (both tariff and non-tariff) are more widespread in international trade of agricultural products than in any other industry.

Recommendations:

- (1) USDA should seek expanded funding for both the Cooperator Foreign Market Development program and the Market Promotion Program.
- (2) USDA should seek expanded funding for FAS.

***U.S. General Accounting Office—Mr. John W.
Harman, Director, Food and Agriculture Issues***

The U.S. Department of Agriculture, whose budget is the third largest of any civilian agency in the federal government,

affects the lives of all Americans and of millions of people around the world. Created 130 years ago to conduct research and disseminate information to farmers, USDA has expanded its role greatly over time. Programs are now designed to support farm income, develop markets, boost farm production and exports, and provide consumers with food information and assistance. To carry out its mission in 1990, USDA

spent about \$46 billion, and employed over 110,000 full-time employees in 36 agencies in over 15,000 locations worldwide.

Recommendations:

- (1) Revitalize the Department of Agriculture,
- (2) Transform programs to meet global competition and conserve resources,
- (3) Reform farm credit and risk protection,
- (4) Reorient rural development policy, and
- (5) Revamp the federal food safety system.

***National Association of Conservation Districts—Mrs.
Mary L. Gab, Auxiliary President***

Conservation on the land is dictated by the well being of the land user. The application of conservation measures by the land user is greatly determined by economic returns. Regardless of the dedication or commitment of that land user, it is imperative that (he) is assured of a reasonable return for the investment in comparison to other segments of society. It is the responsibility of Government representatives dealing with foreign trade to assure a competitive and fair marketing field. Presently, one nation pits itself against another at the expense of sacrificing natural resources. It is society's responsibility to support and maintain stewardship of the natural resources, physically and financially. Cost share programs, voluntary incentive programs or tax credit programs will insure participation by the land owner.

***Women Involved in Farm Economics (WIFE)—Ms.
Joyce Spicher, National President***

The productivity of the American farmer brings money back into the American economy, representing 16 percent of the countries GNP. We produce the safest, most abundant and most affordable food and fiber supply available anywhere in the world. Yet, the producer receives only 22 cents of every food dollar. We see statistics that American farmers income is at record highs, and most of those figures include off farm income, for producers that live in areas where off farm income is possible—the other half of the story is that our expenses have quadrupled in the last few years, while our commodity prices have remained static or dropped. The bottom line is that agriculture is not a healthy industry.

This administration has set about the task of reinventing government. The voters have spoken for change. The first step in the procedure must be to set national priorities. A secure and stable food supply must be a national priority. The United States has never been without an abundant economical food supply because of the efficiency of the family farm system.

WIFE supports the right of every farm family to improve their financial situation, standard of living, or status in life through their own investments, management decisions, determination and dedication. WIFE believes that it should be the role of government to protect that inherent right. A profit which provides security, income stability and an acceptable standard of living commensurate with other segments of the economy must be realistic goal for the nation's agriculture producers.

American National CattleWomen, Inc.—Ms. Karrie K. Patterson, Executive Vice President

What is changing in U.S. agriculture and what are the issues that must be dealt with in the next few years?

Animal care—Producers care for their animals, neither tolerating or condoning abuse, and go beyond their role of human stewards.

Food system must change with the consumer—Today's discriminating consumer is primarily responsible for changes taking place in the U.S. food system.

Endangered species, clean water, wetlands—Cattle producers are committed to protecting the environment and to responsible use of the country's natural resources.

Private property rights—Protection of private property rights is of highest priority.

Public lands—American National CattleWomen (ANCW), recognizing that current law requires public lands be managed on a multiple use, sustained yield basis for the health and prosperity of the nation dedicates its efforts to promote legislation which provides for continued wise use of natural resources while protecting all valid and existing property rights and acknowledging all applicable state laws.

Estate tax—ANCW is concerned about the effort to lower or eliminate the estate tax exemption.

Diet health-food safety—Cattle producers are committed to the production of a safe, wholesome, healthful food.

Education—ANCW recognizes that education of our nation's youth is of great importance.

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